



## DIFC and UPM Host Symposium to Forge Industry Consensus on Sukuk



*Symposium opening address by Vice Chancellor of UPM, Prof. Datuk Dr. Nik Mustapha R. Abdullah(left) and Chief Economist, DIFC Authority, Dr. Nasser Saidi (right).*

**DUBAI** - The Dubai International Financial Centre (DIFC) and The Graduate School of Management (GSM) of Universiti Putra Malaysia (UPM) hosted a Symposium to discuss various approaches for establishing industry consensus on the key characteristics of Sukuk today.

Discussions at the symposium covered the origination and markets for Sukuk; market pricing of the Sukuk instrument; and legal, regulatory and valuation issues in Sukuk that starts a long-term effort to deliberate the practical issues in application of Islamic finance instruments.

Titled 'Sukuk: Theory, Practice and Issues', the symposium forms part of DIFC's and UPM's joint efforts to promote standardization and the development of academic literature on Islamic Finance issues.

Chief Economist of DIFC Authority, Dr. Nasser Al Saidi said over the last few years, Sukuk has gained wider interest beyond the Islamic world as a tool for raising finance and securitisation.

"With the global financial crisis reducing the appetite for risk and volatile asset classes, investors are increasingly looking at Sukuk as a safe investment option. Issuers, including governments, find Sukuk attractive for financing infrastructure and public works.

"However, one of the key concerns investors have with Sukuk is the lack of industry consensus on what constitutes a Shari'a-compliant product.

"Today's symposium provided us an opportunity to bring together leading academics, industry professionals and regulators to explore how the industry can establish consensus on the sharia principles that underpin Sukuk. Consensus & standardisation is vital to developing a liquid Islamic Securities Market and mainstreaming Islamic financial instruments," he said.

Director, Policy and Head of Islamic finance at the Dubai Financial Services Authority Peter Casey said at present, most issues in the Sukuk market, whatever their form, are structured to have a similar economic effect to conventional bonds.

"In this situation the regulatory issues are relatively straightforward. For the future, there may well be challenges posed by novel structures, especially if these involve real elements of asset or business risk.

"These would arguably be more in line with the underlying principles of Islamic finance, and there may be pressure in this direction from Shari'a Boards. However, such Sukuk will probably not be simply equity-like, and regulators will need to consider carefully what disclosures need to be made to the market both initially and on a continuing basis," he added.

Vice Chancellor of UPM, Prof. Datuk Dr. Nik Mustapha R. Abdullah said this is a symbiotic

effort between an important financial centre for Islamic Instruments and a top Malaysian business school to address issues in understanding and the application of these instruments that have plagued this discipline in recent times.



*Panel discussion from left Dean GSM, Prof. Dr. Zainal Abidin Mohamad, Professor of Comparative Economic, Distinguished Visiting Professor, INCEIF Malaysia, Prof. Murat Çizakça, Director, Policy & Head of Islamic Finance, Dubai Financial Services Authority, Dubai, UAE, Mr. Peter Casey and CEO, Director, Product Management, CIMB Islamic Banking Malaysia, Shamsun Anwar Hussain.*

"For this inaugural meeting, what we hope to achieve is to speed up discussion on important instrument issued as Islamic financial instrument (sukuk), to be defined, assessed, practices standardized, and importantly valued with reference to the payoff to investors in this instrument," he said.

Apart from Dr. Saidi and Dr. Nik Mustapha, speakers at the event included Mervyn Lewis, Professor of Banking at the University of South Australia; Peter Casey, Director, Policy and Head of Islamic Finance, Dubai Financial Services Authority and Professor Murat Çizakça, eminent scholar and economic historian.

Other speakers were Dr. Mohd Daud Bakar, eminent Shari'a scholar; Badlisyah Abdul Ghani, CEO of CIMB Islamic Bank, Malaysia, Mohamad Ariff and Shamsheer Mohamad, Professors of Finance at the Bond University (Australia) and the Graduate School of Management of UPM (Malaysia).

The papers presented at the Symposium will soon be published as a book by an international publishing house.



*Audience at the Sukuk Symposium.*

**News contributed by Pn.Siti Bardany, Graduate School of Management, UPM.**

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